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8 UNITED STATES DISTRICT COURT
9 WESTERN DISTRICT OF WASHINGTON
10 AT TACOMA

11 COLOR ME HOUSE, INC.,

12 Plaintiff,

13 v.

14 DISCOVERY COMMUNICATIONS,
15 INC.,

16 Defendant.

CASE NO. C12-5935 RJB

ORDER ON PLAINTIFF'S MOTION
FOR PRELIMINARY INJUNCTION

17 This matter comes before the court on plaintiff Color Me House, Inc.'s Motion for
18 Preliminary Injunction. Dkt. 17. The court has considered the relevant documents and the
19 remainder of the file herein. Oral argument is not necessary for the court to rule on this motion.

20 PROCEDURAL HISTORY AND MOTION

21 On October 25, 2012, plaintiff Color Me House, Inc. (Color Me House) filed a complaint,
22 seeking injunctive relief and damages, against Discovery Communications, Inc. (Discovery), for
23 Trademark Infringement under 15 U.S.C. § 1051, *et seq*; False Designation of Origin, under 15
24 U.S.C. § 1125(a); and Unfair Competition under RCW 19.86. Dkt. 1.

1 On February 28, 2013, Color Me House filed a motion for preliminary injunction,
2 requesting that the court enjoining Discovery and all persons acting in concert from using
3 “COLOR ME” in advertising, marketing, and selling children’s cardboard playhouses until the
4 time of trial. Dkt. 17. Color Me House first contends that it is likely to succeed on the merits
5 because it owns valid trademarks; and Discovery’s use of competing “Color Me” marks is likely
6 to cause confusion. Color Me House maintains that the marks of Color Me House and of
7 Discovery are similar; the goods are related; the marketing channels are similar; because the
8 goods are inexpensive, consumers will exercise less care; actual confusion exists; Discovery
9 intended to create a likelihood of confusion; Color Me House’s marks are strong enough to
10 warrant protection; and the parties’ goods are already complete. Color Me House argues that it
11 is likely to suffer irreparable harm because, in a trademark infringement case, irreparable injury
12 may be presumed from a showing of likelihood of success on the merits; and, in the alternative,
13 the potential loss of goodwill or the ability to control Color Me House’s reputation constitutes
14 irreparable harm. Color Me House maintains that the balance of equities favors Color Me House
15 because Discovery adopted its trademarks only after knowing—both actively and
16 constructively—that Color Me House owned prior rights in “COLOR ME HOUSE” and
17 “COLOR ME ROCKET.” Color Me House contends that the public interest favors an injunction
18 because it would avoid the likelihood of consumer confusion. Finally, Color Me House requests
19 that the amount of the injunction bond should be minimal because there is no evidence that
20 Discovery will be harmed by an injunction; Color Me House is likely to succeed on the merits;
21 and Color Me House has limited resources.

22 On March 18, 2013, Discovery filed opposition to the motion for preliminary injunction.
23 Dkt. 25. Discovery first argues that Color Me House’s “COLOR ME HOUSE” and “COLOR
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1 ME ROCKET” trademarks are invalid because Color Me House made representations to the
2 Trademark Office that it was using its mark in interstate commerce on the date the applications
3 were made, when the mark was not at that point used in interstate commerce. Discovery also
4 argues that, if Color Me House’s trademark registrations are valid, there is no continuing use by
5 Discovery of the alleged infringing “Color Me” marks and no willful conduct by Discovery;
6 there is no showing of actual confusion or any reason to believe that Color Me House will be
7 injured if the preliminary injunction is not granted; the marks used by MerchSource up until
8 October of 2011 are not confusingly similar to those of Color Me House; and the balancing of
9 equities do not favor Color Me House because of the actions taken and continuing to be taken by
10 Discovery and MerchSource. Discovery believes that, before the court grants a preliminary
11 injunction, there should be an evidentiary hearing regarding whether there was fraud in Color Me
12 House’s obtaining the registered trademarks and whether there has been actual confusion
13 between Color Me House and Discovery’s products.

14 On March 22, 2013, Color Me House filed a reply, contending that (1) Discovery is the
15 proper party to be enjoined because Discovery answered the complaint in its own name and did
16 not mention MerchSource; Discovery asserted counterclaims in its answer; and injunctive relief
17 would bind Discovery’s licensees; (2) Discovery has not proved fraud on the part of Color Me
18 House in its applications for COLOR ME HOUSE and COLOR ME ROCKET trademarks; (3)
19 Color Me House has superior common law trademark rights apart from its registrations because
20 it used those marks commercially from September and November of 2008, while Discovery did
21 not release its products until 2010; (4) Color Me House has established evidence of actual
22 confusion because the court may consider hearsay in connection with a motion for preliminary
23 injunction, and because Color Me House has shown a likelihood of confusion; (5) Discovery had
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1 constructive knowledge of Color Me House's trademark registrations; (6) if not granted an
2 injunction, Color Me House will be irreparably harmed by losing its ability to control its own
3 reputation and goodwill; (7) because Discovery claims that all use of the subject marks has
4 stopped, it would not suffer harm if the court enjoined the use of those marks, while Color Me
5 House would continue to suffer reputational and market harm if the court denies the motion; (8)
6 the public interest favors an injunction because Color Me House has made a strong showing that
7 it is likely to prevail on the merits of the trademark infringement claims and the public has an
8 interest in avoiding confusion; and (8) Discovery continues to use the infringing trademarks.
9 Dkt. 29.

10 RELEVANT FACTS

11 The following facts are found solely for the purposes of this motion for preliminary
12 injunction:

13 In 2008, Color Me House began to advertise, market, distribute, and sell cardboard
14 playhouses, under the trademarks "COLOR ME HOUSE" and "COLOR ME ROCKET." The
15 "COLOR ME HOUSE" playhouse typically retails for \$44.95; the "COLOR ME ROCKET"
16 playhouse typically retails for \$54.95. The target market for Color Me House is parents of young
17 children and those wishing to purchase gifts for young children. Color Me House maintains that
18 it has sold its playhouses in all fifty states through its website, <http://www.ColorMeHouse.com>,
19 as well as through 480 Costco stores, thirteen third-party specialty retailers, and online through
20 Amazon.com and Overstock.com.

21 On July 20, 2010, the U.S. Patent and Trademark Office (PTO) issued a federal
22 registration to Color Me House for its COLOR ME HOUSE trademark (Reg. No. 3821356) in
23 International Class 28 for "Play Houses." On July 20, 2010, the PTO issued a federal
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1 registration to Color Me House for its COLOR ME ROCKET trademark (Reg. No. 3821358) in
2 International Class 28 for “Play Houses.” The PTO registered both trademarks on the Principal
3 Register.

4 In the second half of 2010, Color Me House began to advertise and market a castle-
5 shaped cardboard playhouse under the “COLOR ME CASTLE” trademark. It described this
6 product on the website as “Coming Soon!” and planned to distribute and sell it in 2011.
7 Although it began the process, Color Me House did not complete the process to register
8 “COLOR ME CASTLE” with the Trademark Office.

9 Discovery maintains a website, <http://shop.kids.discovery.com/>, that offers children’s
10 toys and educational items for sale, including cardboard playhouses, rockets and castles
11 (Cardboard Play Structures). Discovery licensed the “Discovery Kids” brand to MerchSource,
12 LLC (MerchSource), for use on the Cardboard Play Structures. MerchSource is the importer of
13 the accused products, and is the sole authorized distributor of the Discovery Kids branded
14 Cardboard Play Structures. MerchSource is not a defendant in this action. It is unclear what the
15 relationship between Discovery and MerchSource is.

16 In 2010, MerchSource began developing, importing and distributing a cardboard
17 playhouse under the “Discovery Kids Color Me Playhouse” mark; and, in 2011, MerchSource
18 began to import/market/sell two other cardboard products under the “Discovery Kids Color Me
19 Castle” and the “Discovery Kids Color Me Rocketship” marks. MerchSource distributes the
20 Discovery Kids-branded Cardboard Play Structures to retailers that advertise, market and sell the
21 products online and in their retail stores.

22 Apparently (although it is not completely clear from the record), the Discovery Kids
23 Cardboard Play Structures are/have been advertised, distributed and/or sold in four ways: (1)
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1 through the Discovery website; (2) through the Discovery website that links to other online
2 retailers; (3) through online retailers *via* their own websites; and (4) through brick and mortar
3 retailers.

4 Discovery contends that it first became aware of the existence of Color Me House's
5 trademark registrations on October 1, 2011. On October 5, 2011, MerchSource instituted a
6 running change into its production, changing all of its product packaging and related materials to
7 remove the term "Color Me." The product packaging for the Cardboard Play Structures was
8 changed on October 5, 2011, to either "Discovery Kids Color and Play House," "Discovery Kids
9 Color and Play Castle," or "Discovery Kids Color and Play Rocketship." Dkt. 26, at 2. Shortly
10 after this case was filed, MerchSource requested that its retailers modify the product descriptions
11 of the Discovery Kids branded Cardboard Play Structures to use the updated product names, and,
12 in some cases, made multiple follow-up requests to the retailers to change the product
13 advertising. Discovery also instructed the third party service provider that manages the shop
14 portion of its website to correct the product name.

15 Until this lawsuit was filed, MerchSource had no prior contact with, and had received no
16 notice of infringement from, Color Me House.

17 Color Me House contends that Discovery advertises, markets distributes, and sells the
18 Cardboard Play Structures on its website; and through third-party distributors including
19 Amazon.com, Overstock.com, JC Penny, Macy's, Wal-Mart, and Bed Bath & Beyond. Color
20 Me House states that the links on the Discovery website take potential purchasers to the websites
21 of many third-party distributors (Amazon.com, wal-mart.com, sears.com, JCPenny.com). Color
22 Me House maintains that the "Discovery Kids EcO-Friendly Color Me PLAY CASTLE" has
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1 been available at the Lacey, Washington, Wal-Mart as recently as February 6, 2013. Color Me
2 House maintains that Discovery's Cardboard Play Structures cost \$12.00 - \$29.99.

3 April McCray, founder and owner of Color Me House, stated in a declaration as follows:

4 I have received mistaken inquiries from customers thinking that Color Me House made
5 the cardboard playhouses that were advertised, marketed, and sold by Discovery. For
6 example, a number of upset customers who purchased Color Me House's products
7 requested refunds from Color Me House after seeing Discovery's products being
8 advertised and sold at significantly cheaper prices, thinking that Discovery's products
9 were ours. This happened with one of my resellers as well.

10 Dkt. 18, at 9-10.

11 Adam Gromfin, general counsel for MerchSource, stated in a declaration, as follows:

12 10. Unbeknownst to MerchSource until the filing of this case, the Discovery Kids
13 branded Cardboard Play Structures were being advertised by retailers using the pre-
14 October 2011 product name.

15 11. MerchSource does not control its retailers' advertisements nor does it have any
16 control over the retailers' ecommerce websites that sell the Discovery Kids branded
17 Cardboard Play Structures. To modify a retailer's advertising or online product
18 description, MerchSource may request that the retailer make a change; it would remain
19 the retailer's prerogative on whether to make a change and how it would like to advertise
20 products.

21 12. Shortly after the filing of this case, MerchSource requested that all its retailers
22 modify the product descriptions of the Discovery branded Cardboard Play Structures to
23 use the updated product name. Follow-up requests have been made to the retailers to
24 change the product advertising. In some case [sic], multiple requests have been made to
certain retailers.

13 13. Further, while MerchSource has not sold the product since October of 2011, a de
14 minimis amount of pre-October 2011 product bearing the name Discovery Kids Color Me
15 Playhouse, Discovery Kids Color Me Castle and Discovery Kids Color Me Rocketship is
16 believed to be in inventory at certain retailers as not all retailers shelve and sell product in
17 the order the inventory is received (i.e., they do not have a first-in/first-out policy).

18 Dkt. 26, at 3-4.

19 STANDARD FOR PRELIMINARY INJUNCTION

1 The basic function of such injunctive relief is to preserve the *status quo* pending a
 2 determination of the action on the merits. *Los Angeles Memorial Coliseum Com'n v. National*
 3 *Football League*, 634 F.2d 1197, 1200 (9th Cir. 1980). A party "seeking a preliminary injunction
 4 must establish that the party is likely to succeed on the merits, that the party is likely to suffer
 5 irreparable harm in the absence of preliminary relief, that the balance of equities tips in that
 6 party's favor, and that an injunction is in the public interest." *Winter v. Natural Resources*
 7 *Defense Council*, 129 S.Ct. 365, 374 (2008). Alternatively, where there are serious questions
 8 going to the merits and a balance of hardships that tips sharply toward the plaintiff, a preliminary
 9 injunction can be issued, so long as the plaintiff also shows that there is a likelihood of
 10 irreparable injury and that the injunction is in the public interest. *Alliance for Wild Rockies v.*
 11 *Cottrell*, 632 F.3d 1127, 1135 (9th Cir. 2011).

12 DISCUSSION

13 **1. Likelihood of Success on the Merits**

14 A claim for trademark infringement under the Lanham Act, 15 U.S.C. § 1114, may be
 15 based on the use of a trademark that is likely to cause confusion, or to cause mistake, or to
 16 deceive as to the affiliation, connection, or association of one person with another person. *See*
 17 15 U.S.C. §§ 1114, 1125(a)(1).

18 A plaintiff asserting a claim for trademark infringement must demonstrate that it owns a
 19 valid mark and thus a protectable interest, and that the alleged infringer's use of the mark is
 20 likely to cause confusion. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,
 21 174 F.3d 1036, 1054 (9th Cir. 1999)(citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th
 22 Cir. 1979)).

1 The test for “likelihood of confusion” is whether a “reasonably prudent consumer in the
2 marketplace is likely to be confused as to the origin of the good or service bearing one of the
3 marks.” *Survivor Media, Inc. v. Survivor Productions*, 406 F.3d 625, 630 (9th Cir. 2005). When
4 analyzing the likelihood of confusion, courts consider the following eight factors, generally
5 referred to as the *Sleekcraft* factors: (1) strength of the mark; (2) relatedness of the goods; (3)
6 similarity of the marks; (4) actual confusion; (5) marketing channels; (6) degree of consumer
7 care; (7) the defendants’ intent; and (8) likelihood of expansion. *Id.* at 631 (citing *AMF Inc. v.*
8 *Sleekcraft Boats*, 599 F.2d at 348-49). The test is fluid, and a plaintiff need not satisfy every
9 factor if there is a strong showing as to some of the factors. *Id.* One or more of the factors may
10 be deemed more important than others, depending upon the facts and circumstances of the case,
11 and the eight factors are not exhaustive. *Brookfield Communications, Inc. v. West Coast*
12 *Entertainment Corp.*, 174 F.3d at 1054.

13 **A. Ownership of Trademarks.** Registration of a mark on the PTO’s Principal register
14 constitutes *prima facie* evidence of the validity of the registered mark and of the trademark
15 owner’s exclusive right to use the marks on the goods and services specified in the registration.
16 *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d at 1047. Federal
17 registration of a trademark endows it with a strong presumption of validity. *KP Permanent*
18 *Make-Up, Inc. v. Lasting Impression I, Inc.* 408 F.3d 596, 604 (9th Cir. 2005).

19 In this case Color Me House’s COLOR ME HOUSE and COLOR ME ROCKET
20 trademarks are registered on the Principal Register. Discovery maintains that the trademarks at
21 issue are invalid because Color Me House filed a fraudulent application with the Trademark
22 Office attesting that the marks had been used in interstate commerce, when, in fact, they had
23 not. Ms. McCray stated in a declaration that she filed two trademark application to register
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1 COLOR ME HOUSE and COLOR ME ROCKET on June 27, 2008 and September 22, 2008
2 respectively; that she listed dates of first use of those products as shortly before the application
3 were filed; that the Trademark Office refused those applications; that she then retained an
4 attorney to process the applications; that the new applications listed identical dates of first use;
5 and that the applications that proceeded to registration listed dates of first use that were
6 approximately three months before the dates that Color Me House began to be shipped out of
7 state. Dkt. 30, at 1-3. Ms. McCray stated that the discrepancy in dates was unintentional, and
8 was the result of her misunderstanding regarding the nature of “use in commerce.” Dkt. 30, at 3.
9 Color Me House maintains that Discovery has not met its burden to establish fraud sufficient to
10 invalidate the trademark registration.

11 The registrations constitute *prima facie* evidence of the validity of the COLOR ME
12 HOUSE and COLOR ME ROCKET trademarks and Color Me House’s ownership of them.
13 Discovery has raised issues regarding the validity of those trademarks. However, at this point,
14 the showing by Discovery is insufficient to invalidate those trademarks based upon fraud.
15 Accordingly, for purposes of this motion, Color Me House has shown that it owns a valid mark
16 and thus a protectable interest.

17 **B. *Likely to Cause Confusion. Strength of the Mark.*** The strength of a trademark is
18 evaluated in terms of its conceptual strength and commercial strength. *GoTo.com, Inc. v. Walt*
19 *Disney Co.*, 202 F.3d 1199, 1207 (9th Cir. 2000). Because commercial strength is based upon an
20 evidence-intensive inquiry, the court cannot determine at this stage which party this factor
21 favors. *See Network Automation, Inc. v. Advanced Sys. Concepts*, 638 F.3d 1137, 1150 (9th Cir.
22 2011).

1 *Relatedness of Goods*. Related goods are generally more likely than unrelated goods to
 2 confuse the public as to the producers of the goods. *Brookfield Communications, Inc. v. West*
 3 *Coast Entertainment Corp.*, 174 F.3d at 1055. The goods at issue in this case are both cardboard
 4 play products. The goods are closely related. This factor favors Color Me House.

5 *Similarity of Trademarks*. The more similar the trademarks, the more likely consumers
 6 will be confused as to the origin of the associated goods or services. *See GoTo.com, Inc. v. Walt*
 7 *Disney*, 202 F.3d at 1205-06. In making the comparison, the court considers the marks in their
 8 entirety and as they appear in the marketplace. *Id.* at 1206, *citing Filipino Yellow Pages, Inc. v.*
 9 *Asian Journal Publications, Inc.*, 198 F.3d 1143, 1147-50 (9th Cir. 1999). Similarity is adjudged
 10 in terms of appearance, sound, and meaning. *Id.*, *citing Dreamwerks Prod. Group v. SKG*
 11 *Studio*, 142 F.3d 1127, 1131 (9th Cir. 1998). Similarities are weighed more heavily than
 12 differences *Id.*, *citing Official Airline Guides v. Goss*, 6 F.3d 1385, 1392 (9th Cir. 1993).

13 Color Me House and Discovery cardboard play products both use or used the “Color Me”
 14 mark in advertising and on the packaging of the products. The differences between the parties’
 15 marks involve the capitalization/lower case distinction, and the addition of “Play” and “ship” to
 16 the marks used by Discovery. Discovery maintains that Discovery’s distinctive “Discovery
 17 Kids” trademark is used on the packaging, and that the use of “Discovery Kids” has the potential
 18 to reduce or eliminate confusion over the “Color Me” words on the packaging.

19 While addition of “Discovery Kids” to the packaging of Discovery’s products has the
 20 potential to reduce confusion somewhat, “COLOR ME” is the unique feature of Color Me
 21 House’s trademarks, ascribing an anthropomorphic quality to the cardboard product. Use of
 22 “Color Me” by Discovery appropriates that quality. The trademarks of Color Me House and
 23 Discovery Kids are similar. This factor favors Color Me House.

1 *Actual Confusion.* A showing of actual confusion among significant numbers of
2 consumers provides strong support for the likelihood of confusion. *Playboy Enters. V. Netscape*
3 *Communs. Corp.*, 354 F.3d 1020, 1026 (9th Cir. 2004). Color Me House contends that there has
4 been actual confusion. Ms. McCray stated that “a number of upset customers” requested refunds
5 after being sold Discovery’s products at significantly cheaper prices than those sold by Color Me
6 House, and that this happened with one Color Me House’s resellers as well. Discovery
7 maintains that this “paucity” of hearsay information presented by Color Me House does not rise
8 to the level of establishing widespread confusion. Color Me House claims that it is a small
9 company; Discovery has not disputed that characterization. A “number of customers” may be
10 significant to such a smaller company; that number may satisfy the actual confusion with fewer
11 numbers. Further, whether the consumer requests for refunds are hearsay (an out of court
12 statement made for the truth of the matter asserted) is debatable. Finally, the “COLOR ME”
13 mark is distinctive enough that there is likely to be consumer confusion, even if the number of
14 consumers actually confused is not great. Discovery’s use of “Color Me” on “Color Me Castle”
15 adds to the confusion; the distinctive “Color Me” used on this product is likely to lead consumers
16 to believe that the product is sold by the same company that produced “COLOR ME HOUSE”
17 and “COLOR ME ROCKET.” For all of these reasons, this factor favors Color Me House.

18 *Marketing Channels.* Convergent marketing channels increase the likelihood of
19 confusion. *Nutri/System, Inc. v. Con-Stan Indus., Inc.*, 809 F.2d 601, 606 (9th Cir. 1987). If the
20 general class of purchasers of the respective products of the parties is the same, confusion is
21 more likely. *Sleekcraft*, 599 F.2d at 353.

22 In this case, Color Me House and Discovery both advertise, market, and sell to the same
23 general class of purchasers: parents of young children, and those wishing to purchase gifts for
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1 young children. They sell the competing cardboard play products through Amazon.com,
 2 Overstock.com, and their own websites (even though Discovery maintains that when potential
 3 purchasers access the Discovery website, they are routed to websites of third party retailers, the
 4 initial contact is apparently the Discovery website). The marketing channels are similar. This
 5 factor favors Color Me House.

6 *Degree of Consumer Care.* Similar trademarks are more likely to result in confusion
 7 when the products at issue are of relatively low cost, where buying decisions are made quickly
 8 and without extensive study, and where certain consumers are not sophisticated. *E & J. Gallo*
 9 *Winery v. Pasatiempos Gallo*, 905 F.Supp. 1403, 1413 (E.D. Cal. 1994).

10 In this case, the parties' goods are inexpensive cardboard toys. Color Me House sells its
 11 playhouses for \$44.95 - \$54.95. Color Me House maintains that Discovery's Cardboard Play
 12 Structures cost \$12.00 - \$29.99. It is not likely that consumers would likely put considerable
 13 thought into their purchasing decisions. This factor favors Color Me House.

14 *Defendants' Intent.* The intent factor "favors the plaintiff where the alleged infringer
 15 adopted his mark with knowledge, actual or constructive, that it was another's trademark."
 16 *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d at 1059.
 17 Registration of a mark on the Principal Register is constructive notice of the registrant's claim of
 18 ownership of the mark. 15 U.S.C. § 1072. Discovery had constructive notice of Color Me
 19 House's registration of the "COLOR ME" mark on the date of registration. Further, there is
 20 some evidence that Discovery had actual knowledge of Color Me House's trademarks when
 21 Discovery sold a third play structure under the "Color Me Castle" trademark. This factor favors
 22 Color Me House.

1 *Likelihood of Expansion.* Because the goods are already complete, this factor is favors
2 neither Color Me House nor Discovery.

3 *Conclusion.* Color Me House registered the COLOR ME HOUSE and COLOR ME
4 ROCKET trademarks. Whether the registrations will be determined to be invalid is an issue to
5 be determined at trial. However, at this point, those marks are presumptively valid. The “Color
6 Me” mark used by Discovery to identify and advertize the house, rocket and castle Cardboard
7 Play Structures is likely to cause confusion, because the good are related; the trademarks are
8 similar; the marketing channels are convergent; the products are inexpensive; and Discovery had
9 constructive knowledge, at the least, of Color Me House’s trademarks. Color Me House has
10 made some showing of actual confusion, although the showing is not strong. On balance, Color
11 Me House has shown that it is likely to succeed on the merits of its trademark infringement
12 claim.

13 **2. Irreparable Harm.** Color Me House maintains that the court may presume
14 irreparable injury from a showing of likelihood of success on the merits; that it has suffered
15 irreparable harm by the loss of ability to control its reputation and goodwill; and that actual
16 consumer confusion demonstrates a likelihood of irreparable harm. Discovery contends that
17 Color Me House has not shown admissible evidence of actual consumer confusion; and that there
18 is no reason to believe that Color Me House will be injured in the event that a preliminary
19 injunction is not granted.

20 Discovery maintains that there is no continuing use of the “Color Me” marks. Discovery
21 contends that, on October 5, 2011, MerchSource eliminated the “Color Me” mark from its
22 products; after this case was filed, the shop portion of Discovery’s website corrected the product
23 name; after this case was filed, MerchSource requested that its retailers modify the product
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1 descriptions of the Discovery Kids branded Cardboard Play Structures to use the updated product
2 name; and MerchSource made follow-up requests to the retailers to change the product
3 advertising. Discovery contends that it has no control over the retailers who sell the products,
4 and how they advertise and label those products.

5 The record shows consumer confusion, even though the number of consumers is not
6 great. Color Me House has also shown that it is likely to be injured by the loss of its ability to
7 control its reputation and goodwill. Although Discovery maintains that it has eliminated the
8 “Color Me” marks on its products and on the products that are distributed through MerchSource,
9 it appears that there are still items being advertised and sold that bear the “Color Me” mark.

10 Discovery and MerchSource contend that they have no control over how third party
11 retailers advertise and package the Cardboard Play Structures; and that they have contacted third
12 party retailers when they discover an allegedly offending product or advertisement, in an attempt
13 to stop them from using the “Color Me” mark. To the extent that Discovery argues that the
14 number of allegedly offending products is *de minimis*, and that there are very few third party
15 retailers who are using the “Color Me” mark, a preliminary injunction should not impose an
16 undue burden on Discovery.

17 The third party retailers who advertise and sell Discovery’s Cardboard Play Structures are
18 not parties to this case, nor is MerchSource a party. The record is not sufficiently developed at
19 this point for the court to determine the legal relationship(s) between Discovery, MerchSource,
20 and third party retailers. Suffice it to say that there is a commercial, perhaps contractual,
21 relationship among these parties. The burden at this stage of the proceedings to control the use
22 by Discovery and its licensees or agents of “Color Me” on the advertisements and products
23 should be on Discovery. Color Me House should not be required to search out every third party
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1 retailer and institute a trademark action against alleged infringers. Color Me House has shown
2 that, absent a preliminary injunction, it is likely to suffer irreparable injury in the absence of an
3 injunction. However, the scope of the injunction should be narrowly targeted to actions by
4 Discovery, and any party over which Discovery has control, to eliminate use of the “Color Me”
5 mark on advertisements and products within their control.

6 **3. Balance of Equities.** Color Me House argues that the balance of equities tips in its
7 favor, as the registrant of the trademark; and that Discovery, as a large business, would be able to
8 absorb any alleged business disruption a preliminary injunction would cause. Discovery
9 maintains that the balance of equities favors Discovery, because neither it nor MerchSource
10 engaged in willful infringement; that Color Me House’s trademarks are most likely invalid; and
11 that confusion is not likely.

12 Color Me House is the registrant of the “Color Me House” and “Color Me Rocket”
13 trademarks. Confusion is likely. Whether Discovery engaged in willful infringement is an issue
14 that should be resolved by trial. Discovery should be able to absorb any alleged business
15 disruption that a preliminary injunction would cause. For purposes of this preliminary
16 injunction, the balance of equities tips in favor of Color Me House.

17 **4. Public Interest.** Color Me House contends that a preliminary injunction would serve
18 the public’s interest in avoiding consumer confusion and in protecting trademarks. Discovery
19 argues that Color Me House has failed to demonstrate actual confusion or likelihood of
20 confusion; and that, considering MerchSource’s voluntary efforts to change the name of its
21 products and product packaging, its efforts to notify retailers of any on-going improper
22 description of goods and to request that all incorrect product descriptions be corrected, and
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1 Discovery's efforts to modify and correct the product name on its website, the public interest
2 does not favor injunctive relief.

3 The public interest in avoiding consumer confusion and in protecting trademarks favors
4 Color Me House. MerchSource's efforts to change the name of its products and the product
5 packaging, and its efforts to eliminate use of "Color Me" by the third party retailers and on
6 Discovery's website should help to reduce the burden on Discovery to comply with an
7 injunction. For purpose of this preliminary injunction, the public interest favors Color Me
8 House.

9 **5. Conclusion.** Color Me House has met the requirements for preliminary injunctive
10 relief.

11 BOND

12 Fed.R.Civ.P. 65(c) provides that "[t]he court may issue a preliminary injunction or a
13 temporary restraining order only if the movant gives security in an amount that the court
14 considers proper to pay the costs and damages sustained by any party found to have been
15 wrongfully enjoined or restrained."

16 Color Me House requests that the court require a minimal bon because it has shown a
17 strong likelihood of success on the merits, it is a small business, and it does not have the
18 resources to purchase a large bond. The court concurs that a small bond should be required.
19 Color Me House should be required to post \$1,000 bond with the Clerk of the Court.

20 Accordingly, it is hereby **ORDERED** that Color Me House, Inc.'s Motion for
21 Preliminary Injunction (Dkt. 17) is **GRANTED**, as follows:

22 1. Discovery Communications, Inc.; Discovery's employees, agents, and any person or
23 entity over which Discovery has control, are enjoined through the time of trial from displaying,
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1 advertising, selling, or offering for sale cardboard play products that use the mark “Color Me” or
2 “COLOR ME.”

3 2. Discovery shall use all reasonable efforts to stop any person or entity with which it has
4 a business relationship, however attenuated, from using the mark “Color Me” or “COLOR ME”
5 on cardboard play products.

6 This preliminary injunction shall take effect on Color Me House, Inc.’s posting of a
7 \$1,000 bond with the Clerk of the Court.

8 The Clerk is directed to send uncertified copies of this Order to all counsel of record and
9 to any party appearing *pro se* at said party’s last known address.

10 Dated this 27th day of March, 2013.

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13 ROBERT J. BRYAN
14 United States District Judge
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